

AT A GLANCE:

- **Sales Tax revenue is 18.4% ahead of the same period in 2010 and 12.2% higher than estimated for 3rd Quarter 2011**
- **General Fund revenue is ahead of the same period in 2010 by 6.2%**
- **Jail Services & Fees are up 44.5% from the same period in 2010.**

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Introduction

The Quarterly Financial Status Report provides a summary budget-to-actual comparison of revenues and expenditures for the General Fund and Utility Funds through the end of the most recently completed fiscal quarter.

Revenue and expenditure comparisons are also made to the same period in prior years. Relevant statistical summaries are provided if deemed pertinent.

In addition, an update on the current state and local economic outlook is provided.



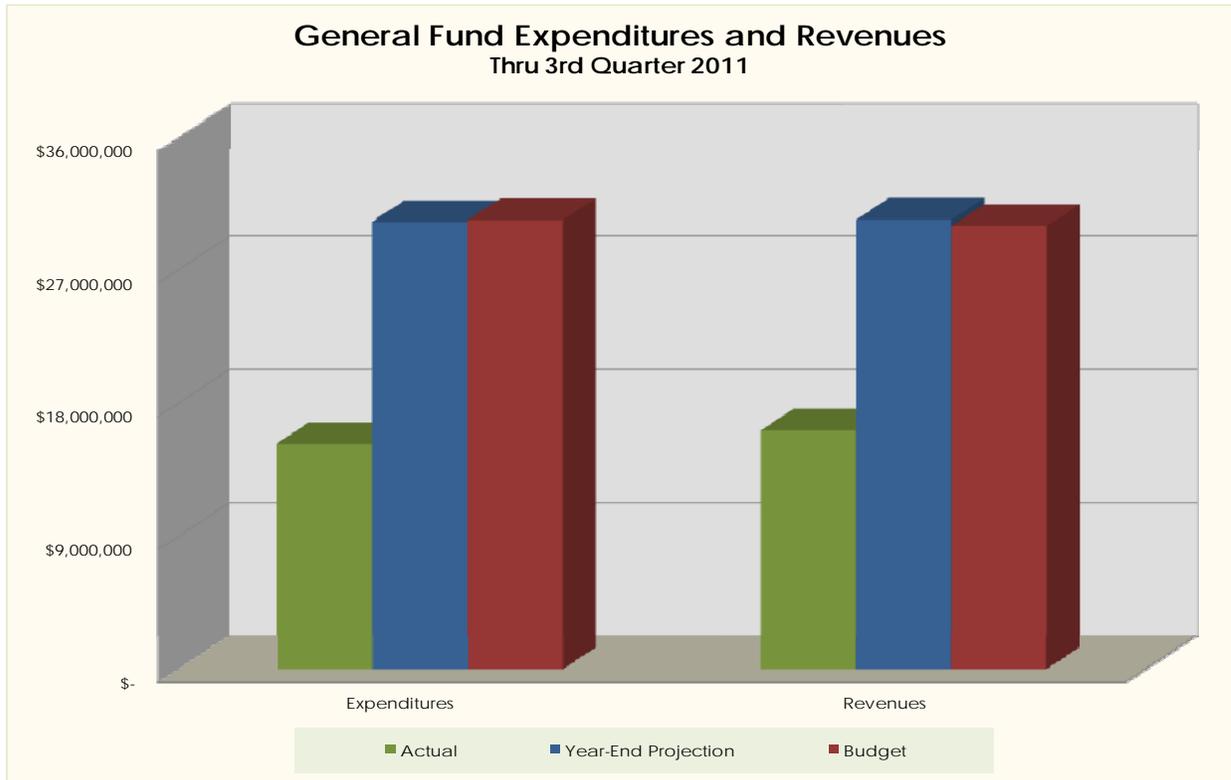
Moroccan Blue Door

Performance at a Glance

	Year-to-Date Trend	Compared to Projections
General Fund Expenditure vs. Budget	Positive	-1.1%
General Fund Revenues vs. Estimate	Positive	3.4%
Tax Performance	Positive	2.9%
Utility Funds Expenditures vs. Budget	Positive	-2.2%
Utility Funds Revenues vs. Estimate	Warning	-2.5%

Key to Expenditure Trend Indicators		Key to Revenue Trend Indicators	
Neutral	= variance of -1.0% to 1.0%	Neutral	= variance of -1.0% to 1.0%
Positive	= variance > -1.0%	Positive	= variance > 1.0%
Warning	= variance > 1.0%	Warning	= variance > -1.0%

General Fund Performance



Year-to-Date Expenditures and Revenues: Budget to Actual

General Fund	3rd Quarter 2011 Actual	2011 Year End Estimate	2011 Total Budget	Estimated % of 2011 Budget Used
Total Expenditures	\$22,483,739	\$30,068,410	\$30,403,096	98.9%
Total Revenues	\$22,615,836	\$31,048,870	\$30,017,448	103.4%

General Fund Year-End Estimates

Revenue

Through September, 2011 year-end General Fund revenues are estimated at \$31,048,870. This estimate includes \$0 of funds from the Guaranty Fund transfer (down from the original budget transfer of \$700,000).

The estimate is 3.4% (\$1,031,422) greater than

the original budgeted revenue amount of \$30,017,448.

Expenditures

Expenditures are estimated at \$30,068,410. This is 1.1% less than the original 2011 expenditure budget of \$30,403,096. This is a positive differential of \$334,686.

Current year-end estimated reserves are at \$8,274,237.

The City started the year with \$7,293,777 in cash reserves.

The estimated reserves would provide a 25.8% expenditure coverage ratio. The 2011 Council budget goal was to not let this ratio level drop below 15%

“Year-end Revenues estimated to be \$1,031,422 greater than budgeted revenues for 2011”

Third Quarter Highlights

Third Quarter revenues were \$713,273 above the forecasted June numbers due mainly to increases in:

- Building Permit revenue of \$316,025
- Jail fees of \$121,283
- Property Taxes of \$73,894

Third Quarter expenditures were \$176,062 (2.4%) below the forecasted amount.

Cost Containment in Action



With the continued uncertainty of the economic recovery, the City’s cost containment measures begun in 2009 are continuing into 2011.

Containment efforts include holding

some vacant positions open, reducing discretionary spending, and deferring expenses.

As a result, General Fund expenses are expected to be in line with projected resources.

General Fund Departments: Annual Comparisons

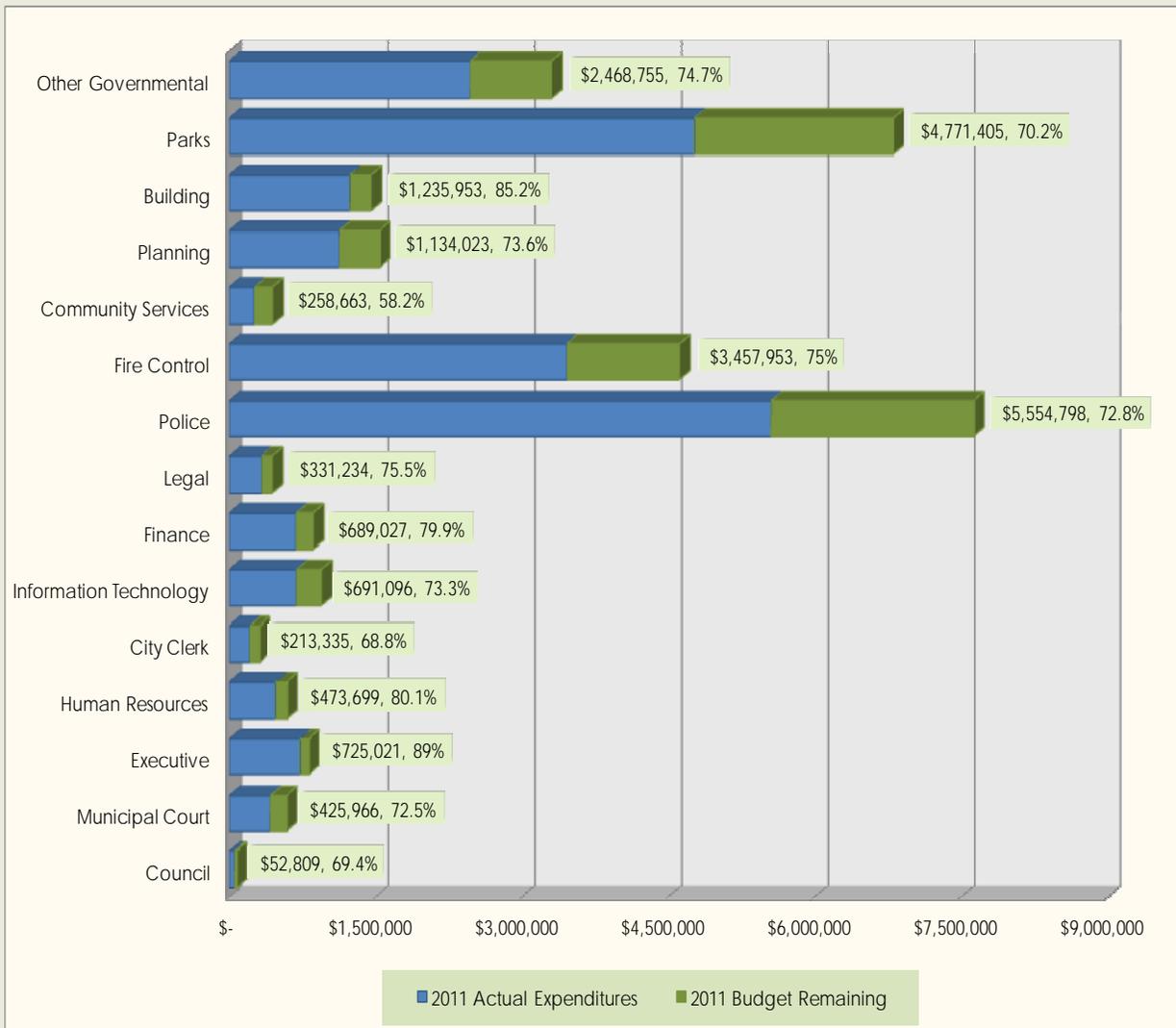
Three-Year Comparison of Actual Expenditures Through Third Quarter

General Fund Departments - Actual Expenditures Through 3rd Quarter

Department Name	2009 Actual	2010 Actual	% Change From 2009	2011 Actual	% Change From 2010
Council	\$ 58,481	\$ 54,336	-7.1%	\$ 52,809	-2.8%
Municipal Court	371,593	395,778	6.5%	425,966	7.6%
Executive	736,519	690,918	-6.2%	725,021	4.9%
Human Resources	503,419	413,597	-17.8%	473,699	14.5%
City Clerk	300,265	209,401	-30.3%	213,335	1.9%
Information Technology	656,725	674,700	2.7%	691,096	2.4%
Finance	716,983	624,418	-12.9%	689,027	10.3%
Legal	307,679	329,393	7.1%	331,234	0.6%
Police	5,233,496	5,267,379	0.6%	5,554,798	5.5%
Fire Control	3,403,555	3,426,204	0.7%	3,457,953	0.9%
Community Services	265,745	276,263	4.0%	258,663	-6.4%
Planning	1,434,293	1,118,525	-22.0%	1,134,023	1.4%
Building	1,225,149	1,184,650	-3.3%	1,235,953	4.3%
Parks	5,094,829	4,693,293	-7.9%	4,771,405	1.7%
Other Governmental	2,606,563	2,477,339	-5.0%	2,468,755	-0.3%
Total GF Departments	\$ 22,915,295	\$ 21,836,195	-4.7%	\$ 22,483,738	3.0%

General Fund Departments: Performance

2011 Actual Expenditure Amount and Percent of Annual Budget Expended



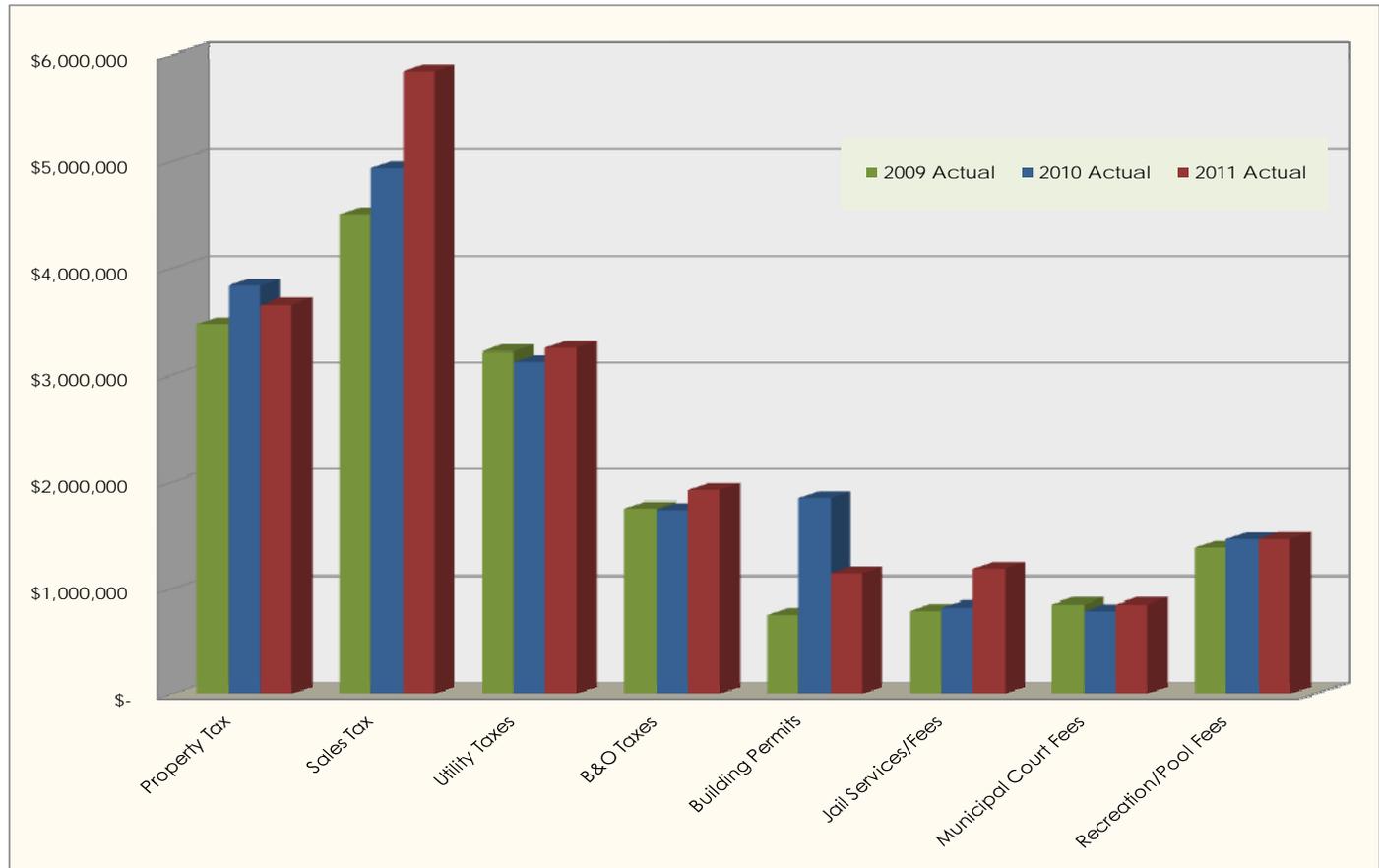
General Fund Departments: Performance

2011 Actual Expenditures vs. Budget & Year —end Projections

Department Name	2011 Actual	2011 Estimated	2011 Budget	Estimated % Variance from 2011 Budget	Estimated \$ Variance from 2011 Budget
Council	\$ 52,809	\$ 70,562	\$ 76,068	-7.2%	\$ (5,506)
Municipal Court	\$ 425,966	\$ 578,231	\$ 587,619	-1.6%	\$ (9,388)
Executive	\$ 725,021	\$ 929,385	\$ 814,750	14.1%	\$ 114,635
Human Resources	\$ 473,699	\$ 602,983	\$ 591,426	2.0%	\$ 11,557
City Clerk	\$ 213,335	\$ 300,365	\$ 310,236	-3.2%	\$ (9,871)
Information Technology	\$ 691,096	\$ 913,789	\$ 942,922	-3.1%	\$ (29,133)
Finance	\$ 689,027	\$ 871,847	\$ 862,748	1.1%	\$ 9,099
Legal	\$ 331,234	\$ 427,866	\$ 439,000	-2.5%	\$ (11,134)
Police	\$ 5,554,798	\$ 7,444,298	\$ 7,626,588	-2.4%	\$ (182,290)
Fire Control	\$ 3,457,953	\$ 4,609,986	\$ 4,609,986	0.0%	\$ -
Community Services	\$ 258,663	\$ 422,922	\$ 444,171	-4.8%	\$ (21,249)
Planning	\$ 1,134,023	\$ 1,504,063	\$ 1,541,581	-2.4%	\$ (37,518)
Building	\$ 1,235,953	\$ 1,644,649	\$ 1,451,419	13.3%	\$ 193,230
Parks	\$ 4,771,405	\$ 6,459,153	\$ 6,801,058	-5.0%	\$ (341,905)
Other Governmental	\$ 2,468,755	\$ 3,288,311	\$ 3,303,524	-0.5%	\$ (15,213)
Total GF Departments	\$ 22,483,738	\$ 30,068,410	\$ 30,403,096	-1.1%	\$ (334,686)

General Fund: Major Revenue Sources

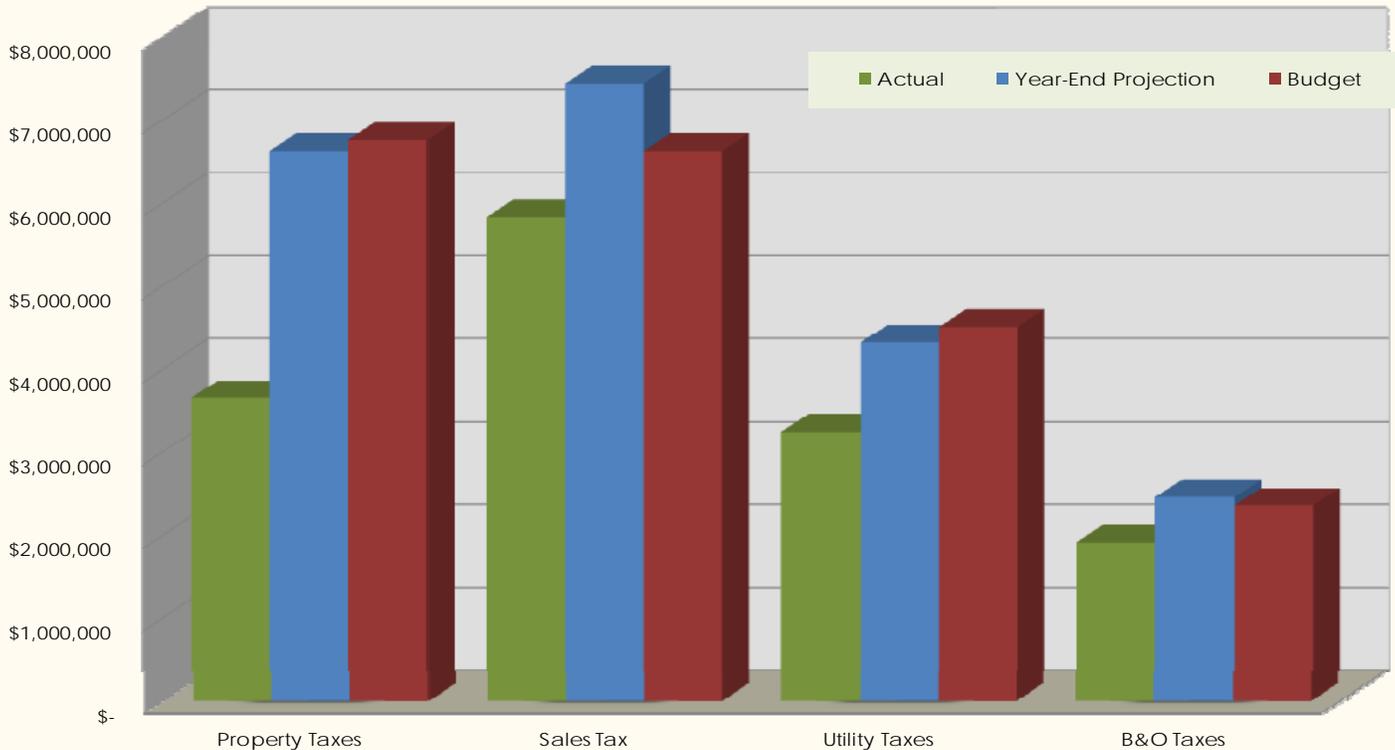
Three-Year Comparison of Actual Revenue Received Through Second Quarter



Major Revenue Sources	2009 Actual	2010 Actual	% Change From 2009	2011 Actual	% Change From 2010
Property Tax	\$ 3,469,767	\$ 3,838,201	10.6%	\$ 3,655,662	-4.8%
Sales Tax	\$ 4,504,419	\$ 4,932,819	9.5%	\$ 5,838,725	18.4%
Utility Taxes	\$ 3,217,041	\$ 3,120,257	-3.0%	\$ 3,250,810	4.2%
B&O Taxes	\$ 1,748,363	\$ 1,734,378	-0.8%	\$ 1,921,888	10.8%
Building Permits	\$ 750,318	\$ 1,841,230	145.4%	\$ 1,137,597	-38.2%
Jail Services/Fees	\$ 787,116	\$ 817,608	3.9%	\$ 1,181,538	44.5%
Municipal Court Fees	\$ 848,799	\$ 785,087	-7.5%	\$ 848,739	8.1%
Recreation/Pool Fees	\$ 1,377,478	\$ 1,461,066	6.1%	\$ 1,462,421	0.1%

General Fund Revenue: Major Taxes Analysis

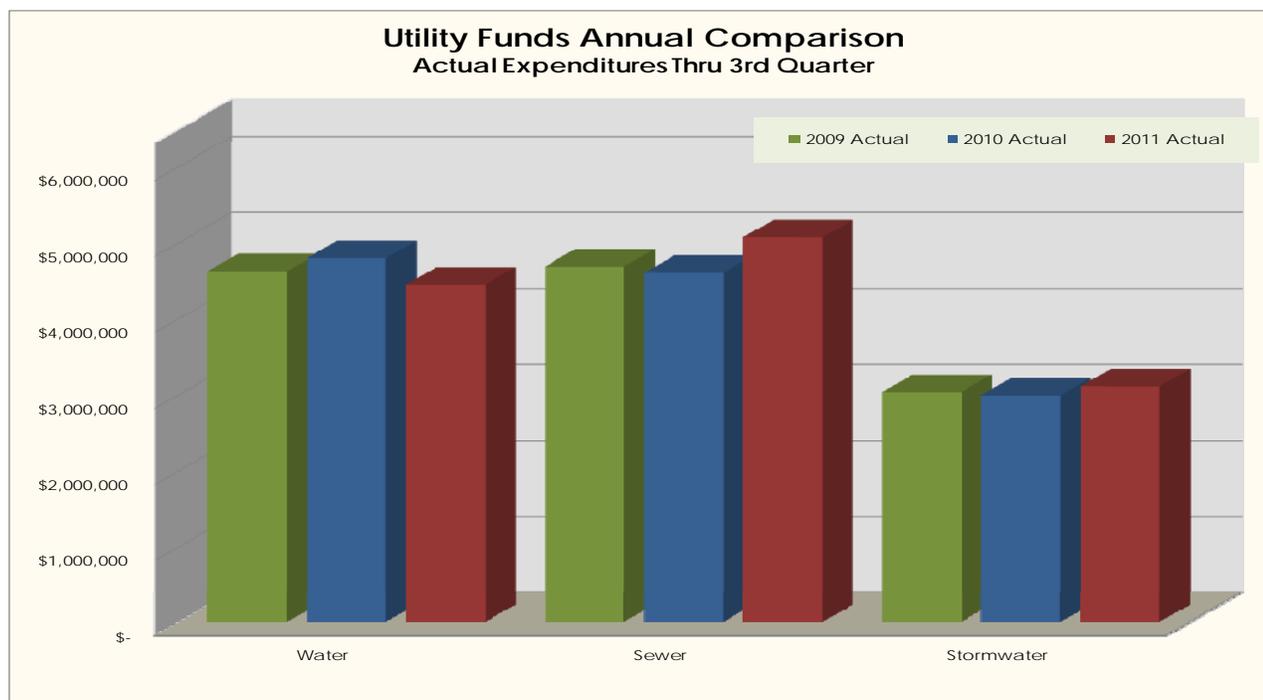
General Fund Revenue - Major Taxes
Thru 3rd Quarter 2011



Major Tax Revenue Source	Actual	Year-End Projection	Budget	Estimated % Variance from 2011 Budget	Estimated \$ Variance from 2011 Budget
Property Taxes	\$ 3,655,662	\$ 6,631,768	\$ 6,762,848	-1.94%	\$ (131,080)
Sales Tax	\$ 5,838,725	\$ 7,438,047	\$ 6,630,000	12.19%	\$ 808,047
Utility Taxes	\$ 3,250,810	\$ 4,325,006	\$ 4,515,000	-4.21%	\$ (189,994)
B&O Taxes	\$ 1,921,888	\$ 2,462,505	\$ 2,360,000	4.34%	\$ 102,505
Total Major Tax Revenue	\$ 14,667,085	\$ 20,857,326	\$ 20,267,848	2.91%	\$ 589,478

Utility Funds Performance: Expenditures

Three-Year Comparison of Actual Expenditures Through Third Quarter



Utility Type	2009 Actual	2010 Actual	% Change from 2009	2011 Actual	% Change from 2010	2011 Total Budget	% of 2011 Budget
Water	\$ 4,629,701	\$ 4,802,910	3.7%	\$ 4,454,652	-7.3%	\$ 6,135,964	72.6%
Sewer	\$ 4,691,882	\$ 4,609,485	-1.8%	\$ 5,077,071 ¹	10.1%	\$ 6,921,314	73.4%
Stormwater	\$ 3,041,971	\$ 3,001,043	-1.3%	\$ 3,116,629	3.9%	\$ 4,187,888	74.4%

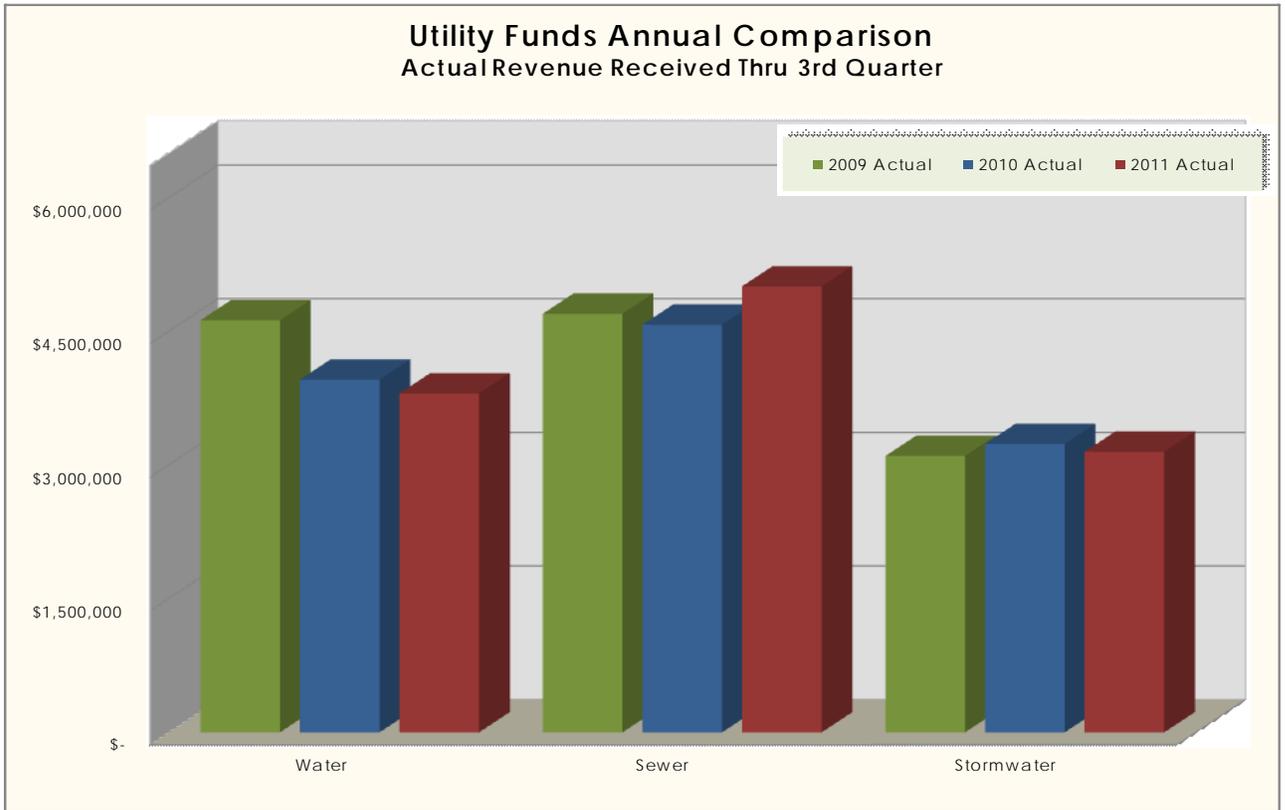
Utility Funds Actual Expenditures vs. Budget & Year —end Projections

Utility Type	3rd Quarter 2011 Actual	2011 Estimated	2011 Budget	Estimated % Variance from 2011 Budget	Estimated \$ Variance from 2011 Budget
Water	\$ 4,454,652	\$ 5,954,154	\$ 6,135,964	-2.96%	\$ (181,810)
Sewer ¹	\$ 5,077,071	\$ 6,777,341	\$ 6,921,314	-2.08%	\$ (143,973)
Stormwater	\$ 3,116,629	\$ 4,128,329	\$ 4,187,888	-1.42%	\$ (59,559)

¹ Includes METRO pass-through increase of 13.2%

Utility Funds Performance: Revenues

3-Year Comparison of Actual Revenue Received Through 3rd Quarter

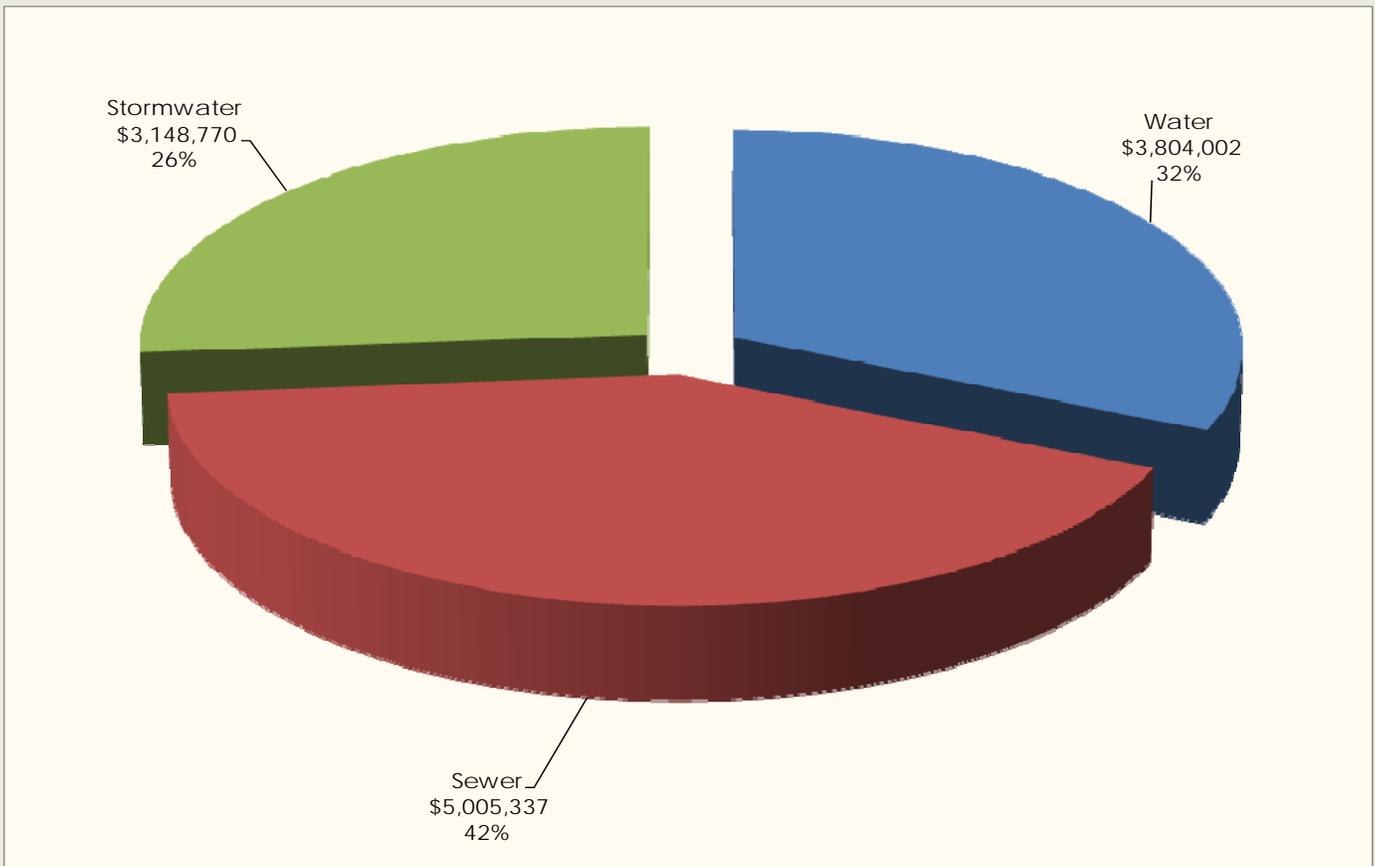


Utility Type	2009 Actual	2010 Actual	% Change from 2009	2011 Actual	% Change from 2010	2011 Total Budget	% of 2011 Budget
Water	\$4,623,748	\$3,958,070	-14.4%	\$3,804,002	-3.9%	\$6,079,752	62.6%
Sewer	\$4,698,743	\$4,574,495	-2.6%	\$5,005,337	9.4%	\$7,084,819	70.6%
Stormwater	\$3,101,653	\$3,237,318	4.4%	\$3,148,770	-2.7%	\$4,151,918	75.8%

Utility Funds Actual Revenue Received vs. Budget & Year-end Projections

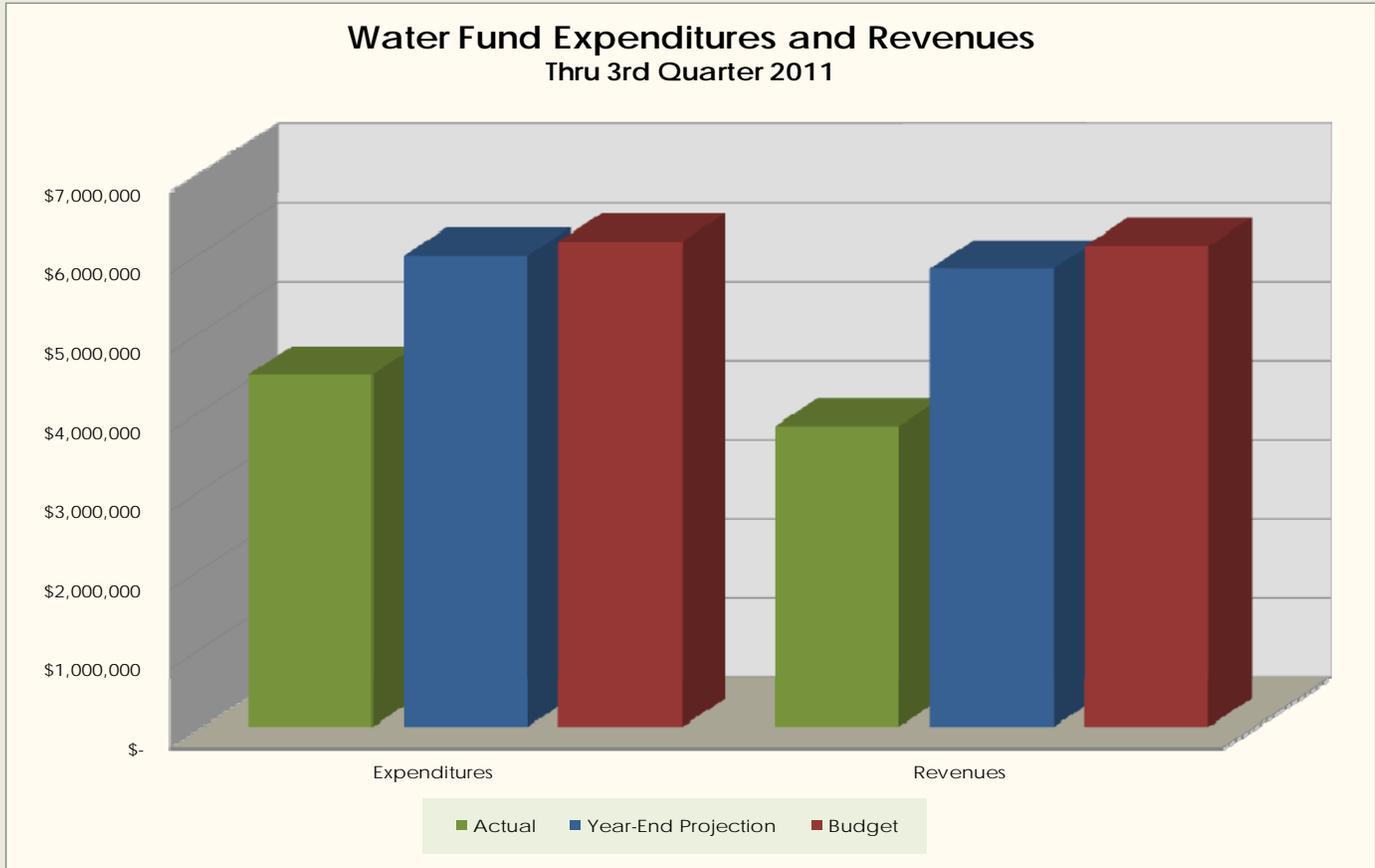
Utility Type	Actual	Year-End Projection	Budget	Estimated % Variance from 2011 Budget	Estimated \$ Variance from 2011 Budget
Water	\$ 3,804,002	\$ 5,791,891	\$ 6,079,752	-4.73%	\$ (287,861)
Sewer	\$ 5,005,337	\$ 6,991,534	\$ 7,084,819	-1.32%	\$ (93,285)
Stormwater	\$ 3,148,770	\$ 4,104,824	\$ 4,151,918	-1.13%	\$ (47,094)

Actual Revenue Received Thru 3rd Quarter: Distribution by Utility



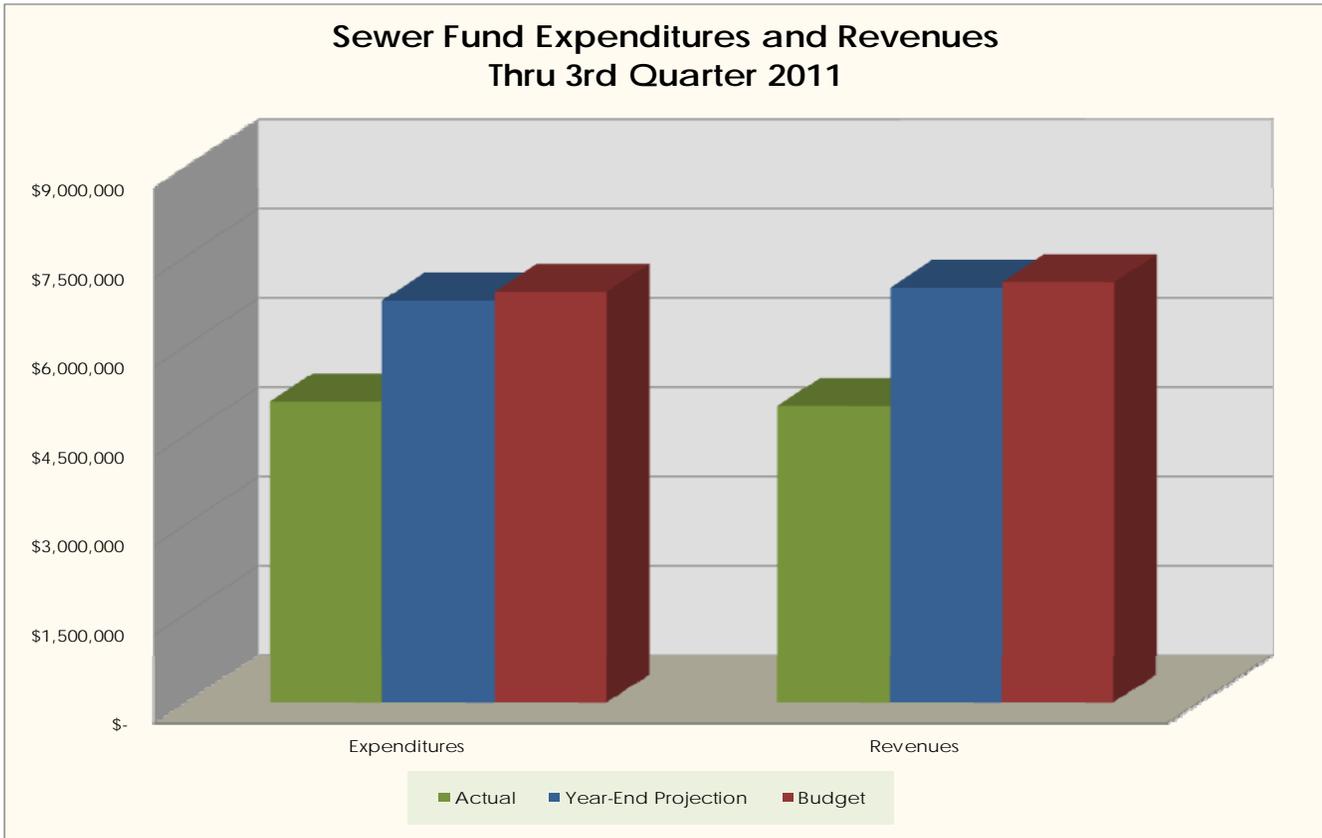
Individual Utility Funds Performance

Individual Utility Fund Performance: Expenditures vs. Revenues



Water Fund	2011 Actual	2011 Year End Estimate	2011 Total Budget	Estimated % Variance from 2011 Budget	Estimated \$ Variance from 2011 Budget
Expenditures	\$ 4,454,652	\$ 5,954,154	\$ 6,135,964	-3.0%	\$ (181,810)
Revenues	\$ 3,804,002	\$ 5,791,891	\$ 6,079,752	-4.7%	\$ (287,861)

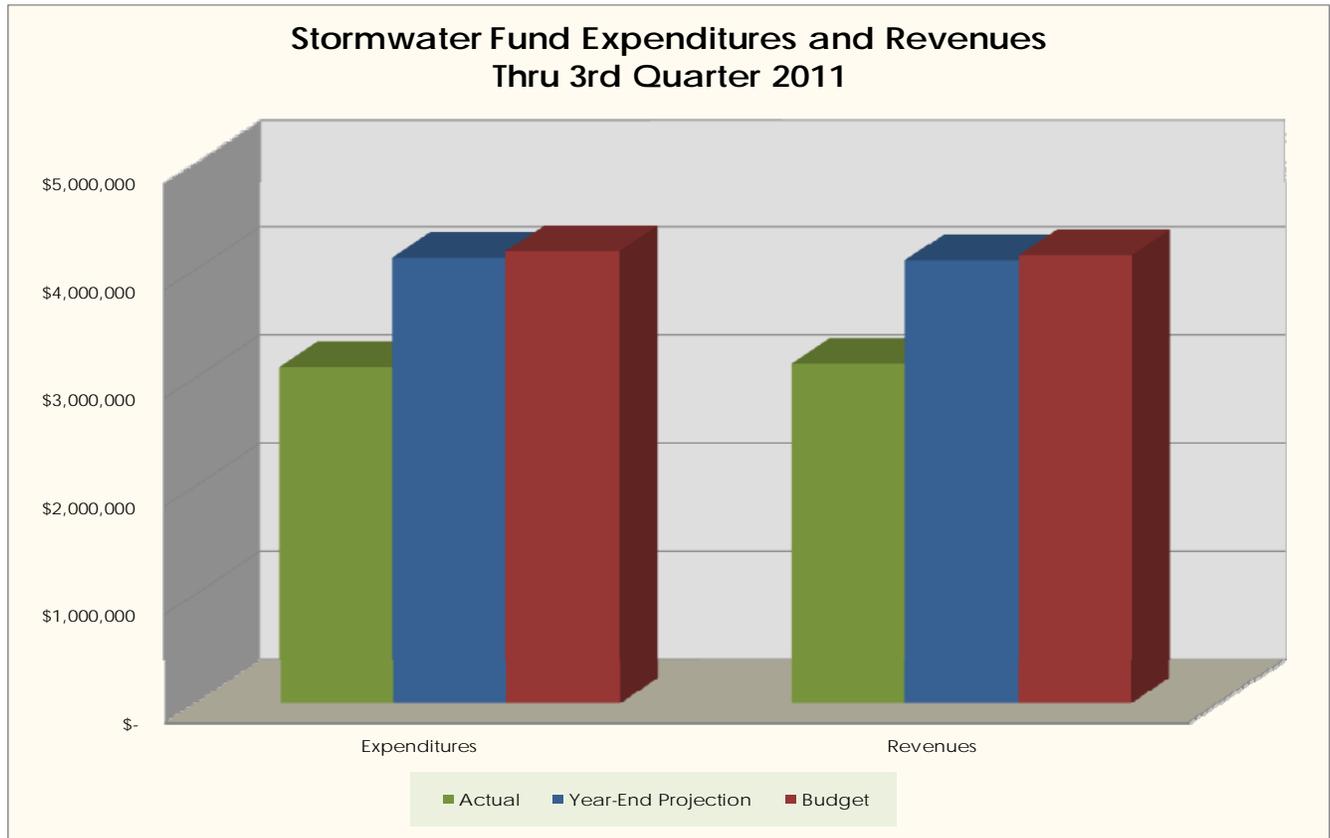
Sewer Fund Expenditures and Revenues Thru 3rd Quarter 2011



Sewer Fund	2011 Actual	2011 Year End Estimate	2011 Total Budget	Estimated % Variance from 2011 Budget	Estimated \$ Variance from 2011 Budget
Expenditures ¹	\$ 5,077,071	\$ 6,777,341	\$ 6,921,314	-2.1%	\$ (143,973)
Revenues	\$ 5,005,337	\$ 6,991,534	\$ 7,084,819	-1.3%	\$ (93,285)

¹ Includes METRO pass-through increase of 13.2%

Individual Utility Fund Performance: Expenditures vs. Revenues (cont.)



Stormwater Fund	2011 Actual	2011 Year End Estimate	2011 Total Budget	Estimated % Variance from 2011 Budget	Estimated \$ Variance from 2011 Budget
Expenditures	\$ 3,116,629	\$ 4,128,329	\$ 4,187,888	-1.4%	\$ (59,559)
Revenues	\$ 3,148,770	\$ 4,104,824	\$ 4,151,918	-1.1%	\$ (47,094)

Economic Environment Update

Washington State Economic Outlook

The Washington State forecast is based on a new national forecast that is weaker than the forecast adopted in June.

In the first half of 2011 the state's economic recovery was held back first by the turmoil in the Middle East and North Africa which raised energy costs and sapped consumer confidence and spending power, and then by the tragedy in Japan which disrupted global supply chains as well as economic activity in that country.

At the time of the second quarter report, a rebound in growth was expected as these impacts dissipated in the second half of 2011. Now, however, it appears that we are at best in for an extended period of "muddle-through" featuring slow economic and job growth, high unemployment, and weak confidence.

Job growth can be expected to remain anemic through the remainder of this year before gradually improving in the beginning of 2012. Boeing and Microsoft are expanding, but these two sectors alone are not enough to counteract the drag from the weakening national and global economies.

Construction employment is bottoming out so that sector will cease to be a drag on growth after this year. However, state and local governments will continue to cut back.

Washington State will most likely outperform the U.S. economy in both employment and personal income growth, although the outlook for both has been substantially lowered. The state's trade intensity should help boost activity, although there is an increasing threat of a global economic slowdown.

The recovery in housing and construction will be later than previously expected. Single-family construction in Washington is in competition with a stream of foreclosures so it will likely stay weak for some time. The trend remains positive in multi-family housing due to rising rents and declining apartment vacancies, but multi-family permits are likely to retreat from the very high level reached in the second quarter.

(Source: State of Washington Economic & Revenue Forecast Council September 2011 Report)

Employment

Preliminary estimates from the Bureau of Labor Statistics (BLS) show that from August 2011 to September 2011, Washington state lost 18,400 jobs on a seasonally adjusted basis. BLS estimates the private sector lost 7,600 jobs over the month and the public sector lost 10,800 jobs. September job losses were the first since August 2010.

(Continued on page 16)

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- The manufacturing sector had the largest growth over the month, adding an estimated 800 jobs overall. The aerospace industry continued to be the driving force behind job growth in manufacturing (up an estimated 1,000 jobs).
- Government lost more jobs than any other sector, down an estimated 10,800. Government losses were primarily caused by the loss of an estimated 6,100 jobs in local education and an estimated 4,700 jobs in state education.
- Leisure and hospitality also had large job losses, largely due to a decrease of an estimated 3,700 jobs in the food services and drinking places industry.
- The information sector was down an estimated 1,100 jobs with losses almost evenly split between software publishers and other information industries.

(Source: Washington State Employment Security Department "Labor Market and Economic Analysis September 2011")

Consumer Price Index

Seattle metro consumer price index (CPI) in August was 3.2 percent, down from

3.7 percent in June, which was the highest it had been since December 2009. The Seattle index is calculated bi-monthly. The national index was 4.3 and 4.4 percent respectively in August and September. Since December, the CPI in Seattle and

nationally has increased by more than 2.5 percent. This increase was impacted largely by higher prices for food and energy, including gasoline, electricity and natural gas. CPI is used to identify periods of inflation or deflation.

(Source: U.S. Bureau of Labor Statistics October 19, 2011, index Summary)

Employment Situation		
	Sept 2011	Sept 2010
United States		
Unemployment Rate	9.1%	9.6%
Washington		
Unemployment Rate	9.1%	9.4%
Resident Labor Force	3,472,200	3,525,900
Unemployed	317,600	331,400
Seattle/Bellevue/Everett		
Unemployment Rate	8.6%	9.1%
Resident Labor Force	1,493,000	1,492,400
Unemployed	128,400	135,800

Consumer Confidence

The U.S. consumer confidence index dropped sharply to 45.4 in September compared to 58.5 in June, primarily due to a continued pessimism about the short-term outlook. Consumers expressed greater concern about their expected earnings, a sign that does not bode well for spending. In addition, consumers' assessment of current conditions declined for the fifth consecutive month, a sign that the economic environment remains weak.

An index of 90 indicates a stable economy and one at or above 100 indicates growth.

(Source: The Conference Board)